

Cayman Islands SVB update for startups and founders

Briefing Summary: While the shuttering of SVB in recent days represents a material loss to the venture capital and start up industries and to our clients, collaborators, and friends with Cayman Islands structures, recent confirmation from the relevant authorities that depositor funds will be available in full is tremendously welcome news.

Service Area: Corporate, Investment Funds

Location: Cayman Islands

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It has also been heartening to see so many industry participants offering assistance and information to those impacted.

Notwithstanding this, and considering the numerous queries we have received to date, we felt it worth highlighting the following:

Short term funding

To the extent that any Cayman entity with deposits at SVB remains unable to access sufficient funds for its immediate cash flow needs within the required period, it may consider (as a number have already) entering into short form loan notes with one or more of its investors (or indeed with its founders) to help bridge the gap.

Accordingly, and as noted through various channels previously, we have prepared template documents that should be capable of being rapidly tailored to the commercial specifics and are providing this to anyone (whether or not they are a client of Carey Olsen) free of charge upon request. Please reach out to the contacts below for further information.

How to receive and make payments

Without an operational account available, a large number of founders have been in touch to ask how to make payments or receive sums (e.g. investment proceeds) at the Cayman level.

While it remains advisable to seek advice that no concerns (e.g. in relation to tax) arise in each relevant jurisdiction, our view is that founders should, at least until an alternative becomes available, consider having such sums received into or paid from an account elsewhere in the group (e.g. at the LLC level).

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It is important however to ensure that the characterisation of such payment (e.g. as a capital contribution from the Cayman entity to the LLC) is properly documented. Please contact us for further information

Which banks are viable alternatives to SVB

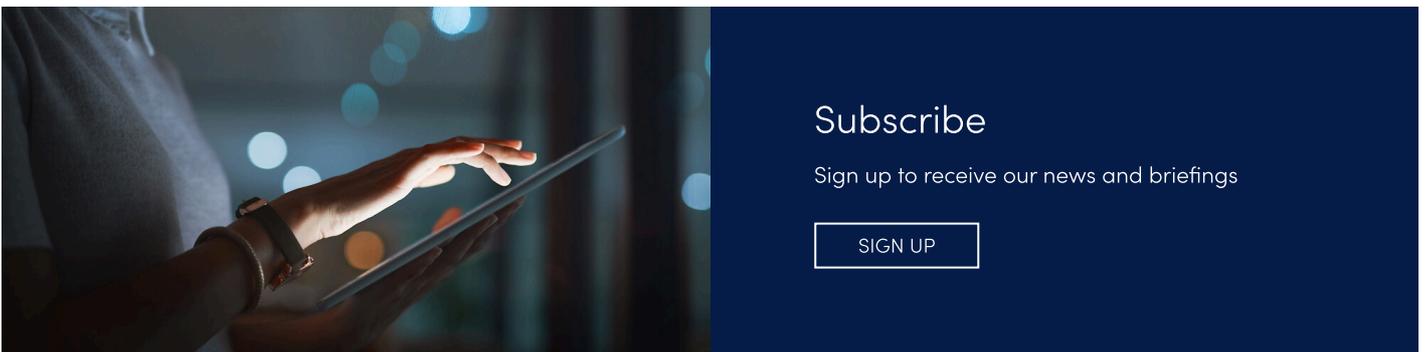
At present, we are not in a position to provide a list of recommended banks that provide the same banking coverage as SVB. Although we are aware of a variety of possible options from clients, reports on the applicable terms and conditions (e.g. minimum deposit balance) vary. We expect that, in time, there will be ample banking options available, but in the interim, in addition to the use of other group accounts as above, we would largely recommend that clients reach out to existing banking contacts for assistance.

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